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**1972  
ANNUAL  
REPORT**

**INTERNATIONAL HARVESTER CREDIT CORPORATION  
OF CANADA LIMITED**





INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
General Office, 208 Hillyard Street, Hamilton, Ontario

## ANNUAL REPORT for the year ended October 31, 1972

DIRECTORS AND OFFICERS, at November 1, 1972

### BOARD OF DIRECTORS

CHARLES C. BRANNAN, Executive

ROBERT H. BURNSIDE, Group Vice President, International Harvester Company

WILLIAM R. FLEMING, *Vice President*, Senior Vice President, International Harvester Company of Canada, Limited

EDWARD R. GRIFFITH, *Treasurer and Comptroller*, Treasurer, International Harvester Company of Canada, Limited

LESTER W. LINCKE, *Vice President*, Vice President and Comptroller, International Harvester Company of Canada, Limited

LAWRENCE J. MURPHY, Manager, Sales Finance, International Harvester Company of Canada, Limited

NORMAN E. PHIPPS, Queen's Counsel

KEITH R. POTTER, Executive Vice President, International Harvester Company

W. NORMAN SMITH, *President*, President, International Harvester Company of Canada, Limited

### OFFICERS

W. NORMAN SMITH, *President*

WILLIAM R. FLEMING, *Vice President*

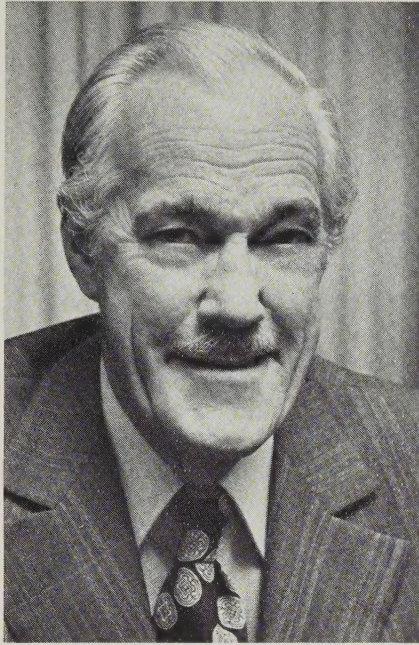
LESTER W. LINCKE, *Vice President*

EDWARD R. GRIFFITH, *Treasurer and Comptroller*

EARLE L. EDMONDS, *Secretary*



## President's Report



The year 1972 was another record year for the Company with earnings, volume of business and receivables outstanding all establishing new highs.

These record results were achieved primarily because of the record sales performance of the parent company and the increased utilization of the Company's financing services.

Net earnings for 1972 were \$2.6 million, up 24.9% from 1971, representing a return on average equity capital invested of 15.1%. Dividends paid during the year were \$.6 million — a reduction of 50% from 1971. Income retained was increased by \$2.0 million to provide a strong capital base for the continued expansion of our business.

Receivables outstanding at year end totalled \$157 million, an increase of 27.4% over the previous year. The highest increase occurred in the retail portfolio where a 31.3% growth was achieved.

During the year, \$10 million in long term debt was issued, represented by 8¾% Serial Debentures, Series C sold through private placement. The net proceeds of this issue was used to reduce short term borrowings.

Management changes during the year were the election of L. W. Lincke and E. R. Griffith as directors of the Company to fill the vacancies created by the resignations of R. D. Musgjerd and W. Haslam. Mr. Lincke was also elected a vice-president.

The outlook for the Canadian economy next year is for continued growth, particularly in those markets served by our parent company. We therefore look for a further expansion of our finance business in 1973. Short term interest rates are expected to move up moderately during the year, however any increased costs should be more than offset by the income generated through higher levels of retail receivables.

On behalf of the Board of Directors and members of management, I wish to express our appreciation to all employees for their contribution to a successful year.

A handwritten signature in dark ink, appearing to read "N.W. Smith". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.



## INCOME

Net income of the Company for 1972 was \$2,625,595, representing an increase of 24.9% over \$2,102,825 recorded in 1971. Record wholesale and retail acquisitions were primarily responsible for this increase. Gross income for 1972 was \$14,290,638, an increase of 11.5% over \$12,819,763 in 1971.

Net income in relation to average equity capital was 15.1% in 1972 compared to 13.2% in 1971. Dividends of \$600,000 were paid in 1972 compared to \$1,200,000 in 1971.

## WHOLESALE RECEIVABLES

Wholesale receivables acquired in 1972 totalled \$177,674,000 representing an increase of 39.8% over \$127,087,000 acquired in 1971. This increase in acquisitions was due to higher wholesale sales by the parent company in 1972. The following is a comparison of wholesale receivables outstanding:

	<i>October 31, 1972</i>	<i>October 31, 1971</i>
Farm Equipment .....	\$31,857,386	\$26,554,236
Truck .....	17,618,111	13,215,679
Construction Equipment .....	9,543,478	8,877,969
	<u>\$59,018,975</u>	<u>\$48,647,884</u>

Wholesale receivables outstanding six months or more at October 31, 1972 amounted to 20.3% of the total. Such receivables were 26.0% of the total in 1971.

## RETAIL RECEIVABLES

Retail contracts acquired in 1972 were the highest in the Company's history and amounted to \$88,419,000 compared with \$65,956,000 in 1971, an increase of 34.1%. Shown below is a comparison of retail receivables outstanding:

	<i>October 31, 1972</i>	<i>October 31, 1971</i>
Farm Equipment .....	\$34,744,002	\$30,327,205
Truck .....	53,002,715	36,685,847
Construction Equipment .....	10,188,291	7,575,760
	<u>\$97,935,008</u>	<u>\$74,588,812</u>

Retail receivable instalments delinquent sixty days or more at October 31, 1972 were 0.10% of retail receivables outstanding, compared to 0.48% of retail receivables outstanding at October 31, 1971.



## INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

### ALLOWANCES AND DEALERS' CONTINGENCY CREDITS

The allowance for losses at October 31, 1972 was \$1,871,944 (1.19% of total outstanding) compared with \$1,719,076 (1.39% of total outstanding) at October 31, 1971. In 1972 \$300,000 was placed in allowance for losses and charged to income, compared to \$160,000 in 1971.

Losses incurred in 1972 amounted to \$147,131 (0.06% of liquidations), compared to \$156,081 (0.08% of liquidations) in 1971.

Dealers' contingency credits held for possible future credit losses amounted to \$1,265,220 at October 31, 1972 compared to \$1,260,508 at October 31, 1971.

The Company's policy is to write off accounts as soon as they are determined to be uncollectible. Most retail losses are charged against reserve accounts established for dealers and International Harvester Company of Canada, Limited. Repossessions are on the books generally at the estimated resale value, thus the estimated losses, if any, are charged directly to reserve accounts or taken up as losses by the Company.

### FINANCIAL

By an agreement dated January 21, 1972, International Harvester Company and International Harvester Overseas Capital Corporation extended, at the same rates of interest, the maturity dates of all Junior Subordinated Notes totalling U.S. \$6,600,000 to March 31, 1977.

On March 15, 1972, \$10,000,000 of 8¾% Serial Debentures, Series C were issued and sold through private placement. Such debentures will mature serially as to \$1,000,000 principal amount on March 15 in each of the years from 1978 to 1987 inclusive.



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

STATEMENT OF INCOME AND INCOME RETAINED  
FOR THE YEARS ENDED OCTOBER 31, 1972 AND 1971

	1972	1971
INCOME		
Interest, discounts, finance charges and other income on notes receivable		
Wholesale .....	\$ 5,876,037	\$ 5,047,547
Retail .....	8,414,601	7,772,216
Total income .....	<u>14,290,638</u>	<u>12,819,763</u>
EXPENSES		
Interest .....	6,830,661	6,118,283
Commission on short term notes .....	117,723	115,517
Debenture expense .....	42,206	2,994
Service fee paid to parent company for credit and collection, management, and other services .....	1,545,500	1,314,000
Provision for losses on receivables .....	300,000	160,000
Insurance .....	299,264	315,937
Other charges .....	116,875	99,349
Taxes on income .....	2,412,814	2,440,858
Total expenses .....	<u>11,665,043</u>	<u>10,566,938</u>
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEM .....	2,625,595	2,252,825
Extraordinary item		
Exchange loss Swiss Francs .....	—	150,000
Net income for the year .....	2,625,595	2,102,825
Dividends paid .....	600,000	1,200,000
INCOME RETAINED FOR THE YEAR .....	2,025,595	902,825
INCOME RETAINED AT BEGINNING OF THE YEAR .....	<u>6,384,031</u>	<u>5,481,206</u>
INCOME RETAINED AT END OF THE YEAR .....	<u>\$ 8,409,626</u>	<u>\$ 6,384,031</u>

The Basis of Financial Statements presented on page 6 is an integral part of this statement.



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
STATEMENT OF FINANCIAL CONDITION OCTOBER 31, 1972 AND 1971

ASSETS

	1972	1971
<b>CURRENT ASSETS</b>		
Cash .....	\$ 49,115	\$ —
Notes receivable and repossessions		
Notes receivable		
Wholesale .....	59,018,975	48,647,884
Retail (including due from affiliated company		
1972 — \$5,229,762; 1971 — \$809,666) .....	97,935,008	74,588,812
	156,953,983	123,236,696
Repossessions .....	73,858	129,692
	157,027,841	123,366,388
Less		
Deferred discounts on wholesale notes .....	486,706	400,749
Unearned interest on wholesale notes .....	—	34,848
Unearned finance charges on retail notes .....	12,972,535	9,260,550
Allowance for losses .....	1,871,944	1,719,076
	15,331,185	11,415,223
Notes receivable and repossessions (net) .....	141,696,656	111,951,165
Due from parent company .....	—	3,847,081
Deferred income taxes .....	940,000	899,000
Total current assets .....	142,685,771	116,697,246
<b>PREPAID INTEREST AND OTHER ASSETS</b> .....	324,848	457,090
Total assets .....	<u>\$143,010,619</u>	<u>\$117,154,336</u>

LIABILITIES AND EQUITY CAPITAL

<b>CURRENT LIABILITIES</b>		
Bank indebtedness .....	\$ —	\$ 97,881
Demand notes payable — banks .....	7,370,000	5,880,000
Demand notes payable — parent company .....	2,100,000	2,400,000
Notes payable — short term .....	55,984,868	50,824,300
Notes payable — short term — affiliated company .....	—	636,375
Current maturities of long term debt .....	5,217,860	—
Accounts payable (including in 1972, parent company		
\$7,676,207) .....	7,908,574	70,025
Accrued taxes .....	428,754	457,186
Accrued interest .....	1,107,404	707,857
Dealers' contingency credits .....	1,265,220	1,260,508
Total current liabilities .....	81,382,680	62,334,132
<b>LONG TERM INDEBTEDNESS</b>		
Notes and debentures due 1987 or prior .....	43,218,313	38,436,173
<b>EQUITY CAPITAL</b>		
Capital stock		
Authorized — 250,000 shares of \$100 par value		
Issued and fully paid 100,000 shares .....	10,000,000	10,000,000
Income retained .....	8,409,626	6,384,031
Total equity capital .....	18,409,626	16,384,031
Total liabilities and equity capital .....	<u>\$143,010,619</u>	<u>\$117,154,336</u>

Approved by the Board:

W. N. SMITH, Director

W. R. FLEMING, Director

The Basis of Financial Statements presented on page 6 is an integral part of this statement.



# INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

## BASIS OF FINANCIAL STATEMENTS

**RECEIVABLES:** At October 31, 1972 wholesale notes receivable included \$3,559,576 which will mature after October 31, 1973, of which none will mature after October 31, 1974 and retail notes receivable included \$55,502,522 maturing after October 31, 1973, of which \$24,094,695 will mature after October 31, 1974.

**DEFERRED INCOME TAXES:** The Company follows the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income tax is actually payable.

**FOREIGN EXCHANGE:** Long-term debt has been translated at the historic rate in effect at the time of incurring the debt.

**NET INCOME:** Earnings on wholesale notes are derived from carrying charges based on the monthly note balances and from a discount which the Company takes into income upon settlement of the notes. Finance charges included in retail notes are taken into income over the life of the notes.

**REMUNERATION OF DIRECTORS AND OFFICERS:** During the year there were nine directors and four officers, none of whom received remuneration. Two of the officers were also directors.

**INDEBTEDNESS:** The long-term liabilities of the Company at October 31, 1972 and 1971, were as follows:

SENIOR INDEBTEDNESS	<u>1972</u>	<u>1971</u>
Debentures		
5¾ % Series A, due 1982 .....	\$ 6,000,000	\$ 6,000,000
5¾ % Series B, due 1984 .....	5,000,000	5,000,000
8¾ % Series C, due annually commencing 1978.....	10,000,000	—
Notes		
9½ % due 1972.....	—	2,000,000
9¼ % due 1973 (U.S. \$3,000,000) .....	—	3,217,860
8¾ % due 1973 (U.S. \$5,000,000) .....	5,107,500	5,107,500
8 % due 1975.....	3,000,000	3,000,000
7 % due quarterly commencing 1974 .....	5,000,000	5,000,000
Total .....	<u>34,107,500</u>	<u>29,325,360</u>
SUBORDINATED INDEBTEDNESS		
6 % Note, due 1984 .....	<u>2,000,000</u>	<u>2,000,000</u>
JUNIOR SUBORDINATED INDEBTEDNESS		
7¾ % Note, due 1977 (U.S. \$2,500,000) .....	2,698,438	2,698,438
7¾ % Note, due 1977 (U.S. \$2,500,000) .....	2,696,875	2,696,875
7¼ % Note, due 1977 (U.S. \$1,600,000) .....	1,715,500	1,715,500
Total .....	<u>7,110,813</u>	<u>7,110,813</u>
TOTAL LONG-TERM INDEBTEDNESS .....	<u>\$43,218,313</u>	<u>\$38,436,173</u>

Dividend distribution under the provisions of the loan agreements relating to senior and subordinated indebtedness is restricted to approximately \$4,200,000 at October 31, 1972 and \$2,150,000 at October 31, 1971.



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED  
Statement of Changes in Financial Position for the years ended October 31, 1972 and 1971

SOURCE OF FUNDS

	1972	1971
Operations		
Net income .....	\$ 2,625,595	\$ 2,102,824
Non-cash transactions		
Provision for losses on receivables .....	300,000	160,000
Deferred income taxes .....	(41,000)	(2,000)
Total funds provided by operations .....	2,884,595	2,260,824
Collections on notes receivable (except finance charges included in net income) .....	224,550,689	183,348,602
Proceeds from issuance of long term debt .....	10,000,000	13,107,500
Proceeds from issuance of short term debt — net .....	5,714,193	(6,245,137)
Other — Net .....	3,953,135	(4,107,392)
Total .....	<u>\$247,102,612</u>	<u>\$188,364,397</u>

APPLICATION OF FUNDS

Acquisition of notes receivable (excludes finance charges) .....	\$254,555,991	\$185,972,314
Decrease (increase) in accounts payable — net .....	(8,200,375)	1,536,928
Payment of cash dividends .....	600,000	1,200,000
Increase (decrease) in cash .....	146,996	(344,845)
Total .....	<u>\$247,102,612</u>	<u>\$188,364,397</u>

DELOITTE, HASKINS & SELLS  
CHARTERED ACCOUNTANTS

105 MAIN STREET EAST  
HAMILTON, ONTARIO

To the Shareholders of  
International Harvester Credit Corporation  
of Canada Limited:

We have examined the Statement of Financial Condition of International Harvester Credit Corporation of Canada Limited as at October 31, 1972 and the Statements of Income and Income Retained and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1972 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 29, 1972

*Deloitte, Haskins & Sells*



# INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

## STATISTICAL DATA (Dollar amounts in thousands)

### INCOME AND INCOME RETAINED

	1972	1971	1970	1969	1968
Income.....	\$ 14,291	\$ 12,820	\$ 12,478	\$ 11,461	\$ 9,428
Service fee paid to parent company .....	1,546	1,314	1,161	1,060	860
Provision for losses on receivables .....	300	160	200	240	300
Interest and commissions .....	6,948	6,234	7,289	6,158	5,259
Other charges (net) .....	458	731	385	377	318
Taxes on income .....	2,413	2,278	1,825	1,900	1,450
Deferred income tax .....	—	—	—	(345)	(345)
Net income .....	2,626	2,103	1,618	2,071	1,586
Cash dividends .....	600	1,200	1,200	1,200	950
Income retained .....	\$ 2,026	\$ 903	\$ 418	\$ 871	\$ 636
Percent of net income to average equity capital .	15.1%	13.2%	10.6%	14.2%	11.4%

### ASSETS

Cash .....	\$ 49	\$ —	\$ 247	\$ 101	\$ 113
Receivables (net) .....	141,697	111,951	109,264	105,205	89,028
Other assets .....	1,265	5,203	1,331	1,004	845
Total assets .....	\$143,011	\$117,154	\$110,842	\$106,310	\$ 89,986

### EQUITY CAPITAL AND LIABILITIES

Capital stock .....	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Income retained .....	8,410	6,384	5,481	5,063	4,192
Total equity capital .....	18,410	16,384	15,481	15,063	14,192
Short term indebtedness .....	65,455	59,839	65,986	66,399	54,404
Other current liabilities .....	15,927	2,495	4,046	4,737	2,995
Long-term senior indebtedness .....	34,108	29,325	16,218	11,000	11,000
Long-term subordinated indebtedness .....	2,000	2,000	2,000	2,000	2,000
Long-term junior subordinated indebtedness ....	7,111	7,111	7,111	7,111	5,395
Total liabilities and equity capital.....	\$143,011	\$117,154	\$110,842	\$106,310	\$ 89,986

### NOTES RECEIVABLE

Wholesale notes acquired .....	\$177,674	\$127,087	\$100,472	\$125,377	\$122,693
Retail notes acquired .....	88,419	65,956	57,765	51,884	42,588
Total notes acquired .....	\$266,093	\$193,043	\$158,237	\$177,261	\$165,281
Wholesale receivables at year end .....	\$ 59,019	\$ 48,648	\$ 50,007	\$ 56,217	\$ 48,861
Retail receivables at year end .....	97,935	74,589	70,522	58,558	48,753
Total receivables at year end .....	\$156,954	\$123,237	\$120,529	\$114,775	\$ 97,614

### ALLOWANCES AND DEALERS' CONTINGENCY CREDITS

Allowance for losses .....	\$ 1,872	\$ 1,719	\$ 1,715	\$ 1,660	\$ 1,476
Dealers' contingency credits.....	\$ 1,265	\$ 1,261	\$ 1,372	\$ 1,145	\$ 1,015



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

REGIONAL FINANCE OFFICES, NOVEMBER 1, 1972

EDMONTON, ALBERTA

HAMILTON, ONTARIO

MONTREAL, QUEBEC

VANCOUVER, BRITISH COLUMBIA

WINNIPEG, MANITOBA



